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Patent Override

By Thomas P. Krzeminski

If the Supreme Court changed the way patent validity were determined, how would the decision affect the 2 million U.S. patents granted during the past 20 years? After the court's recent decision in *KSR International Co. v. Teleflex Inc.*, 2007 DJDAR 5934 (decided April 30, 2007), that question no longer is hypothetical.

In *KSR*, multiple justices asked that question during oral argument but did not receive a direct answer from counsel. Nor did the court resolve the question expressly in its opinion.

So the question stands: What is the status of the U.S. patent system after *KSR*? This article attempts to answer that. Before doing so, though, a summary of U.S. patent law and *KSR* is in order.

Patent Validity

A patent is presumed valid under 35 U.S.C. Section 282. Courts have interpreted the presumption to mean that a party alleging patent invalidity carries a higher burden of proof — "clear and convincing evidence" — than that typically required in civil actions.

The presumption of patent validity and the corresponding requirement of clear and convincing proof of invalidity are rooted, at least in part, in the presumption of administrative correctness. Federal agencies are presumed to have done their jobs correctly, and judicial deference thus is owed to their official decisions.

The U.S. Patent and Trademark Office, an agency within the Department of Commerce, employs knowledgeable and experienced patent examiners who inspect proposed patents to determine, among other things, whether they contain patentable subject matter. Courts presume that the office issues only patents that protect patentable subject matter, and to honor that presumption, they extend deference to its decisions on patentability.

Obviousness

To obtain a patent, one must convince the Patent and Trademark Office that an invention is useful, novel and not obvious in view of prior products or processes (the "prior art"). *KSR* focuses on the third criterion of patentability, that the invention not be obvious in light of prior work.

What makes something obvious? According to Section 103 of the Patent Act, a product or process is obvious when "the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art."

In assessing obviousness, courts evaluate the scope and content of the prior art, differences between the prior art and the alleged invention and the level of ordinary skill in the art. Secondary considerations, including commercial success associated with products embodying the patented technology, also can be relevant.

The test for obviousness is objective but often difficult to apply.

During the mid-1980s, the U.S. Court of Appeals for the Federal Circuit, which has exclusive jurisdiction over patent appeals from federal district courts, began applying strictly a principle of obviousness originally accredited to the U.S. Court of Customs and Patent Appeals, predecessor to the Federal Circuit. Under the rule, known as the TSM test, a patent is proved obvious only if the prior art "teaches, suggests or motivates" someone of ordinary skill in the art to combine the prior art.

As the Federal Circuit has applied it, the TSM test generally requires published articles or patents to contain explicit instruction to combine the prior art. Since 1985, the Patent and Trademark Office and courts have used the Federal Circuit's version of the TSM test when determining the obviousness of purported inventions.

'KSR's' Impact

The petitioner in *KSR* challenged the TSM test, arguing that its application was contrary to the plain meaning of the Patent Act and to Supreme Court precedent. On April 30, the court agreed and, in an unanimous opinion, rejected the Federal Circuit's application of the test as overly rigid and as setting the bar too low for patentability.

By doing that, the court opted for a more flexible, common-sense approach to assessing obviousness, one in which the reason to combine the prior art need not be explicitly stated in published articles or patents. Rather, it could take the form of inferences and creative steps that a person of ordinary skill in the art likely would employ in view of the prior art as a whole.

While stopping short of an outright dismissal of the TSM test, the court diluted it beyond recognition or repair. As a result, *KSR* changed how obviousness is determined.

From 1985 to 2007, the unofficial life span of the Federal Circuit's TSM test, the Patent and Trademark Office granted more than 2 million patents. Notwithstanding the court's dilution of the TSM test, those patents remain presumed valid by statute.

Because the Patent and Trademark Office did not apply the proper obviousness test when examining those patents, though, an argument can be made that, after *KSR*, no deference is owed to the office's prior determinations of obviousness.

In its consideration of *KSR*, the Supreme Court was concerned about how a rejection of the TSM test would affect the millions of patents already issued under that legal standard.

During oral arguments, Justice David H.

Souter acknowledged that the TSM test has been applied for more than 20 years, and to overturn it could "produce chaos" and result in "100,000 cases filed tomorrow morning." Justice Antonin Scalia worried that the court's rejection of the TSM test could decay the presumption of patent validity.

Further, in the *KSR* opinion, the court stated in dictum, "We nevertheless think it is appropriate to note that the rationale underlying the presumption — that the PTO, in its expertise, has approved the claim — seems much diminished here."

While the court seems to have made that remark in the context of diminished deference owed to the Patent and Trademark Office when material prior art that was not before the office forms the basis of an obviousness attack, the remark might foreshadow a trend toward reduced deference to the office's prior determinations of obviousness using the supplanted TSM test.

After *KSR*, the Patent and Trademark Office is likely to reject more patent applications in view of the higher bar for patentability articulated by the Supreme Court. Further, when litigating the validity of patents granted previously by the Patent and Trademark Office, accused infringers will find it easier to invalidate patents for obviousness in view of the higher standard for patentability and the likely lack of deference owed to the office's prior determination regarding obviousness.

Patents that present minor advances on the prior art will fade into the sunset, a result of a combination of wary patent owners choosing not to assert weak patents, courts invalidating them during litigation and devaluation of them by competitors during license negotiations.

Conversely, patents that represent significant, pioneering advances will become even more valuable because of their sustained patentability and the increased difficulty competitors will face in attempting to cross-license them. The latter point will be particularly true in fields in which "patent thickets" have been used.

A patent thicket is created when overlapping patent rights block commercialization of products within the patented technology, unless competitors agree to cross-license one another's patents. Patent thickets typically cover minor, but often essential, components of a potential commercial product that would feature the technology of a pioneering patent. A thicket, used successfully, suffocates the pioneering patent by blocking commercialization of the pioneer's product unless the pioneer agrees to cross-license the thicket from its competitors.

In the *KSR* opinion, the Supreme Court seemed to be addressing patent thickets when it stated, "Granting patent protection to advances that would occur in the ordinary course without real innovation retards progress and may, in the case of patents combining previously known elements, deprive prior inventions of their value or utility."

After *KSR*, patents will be more difficult to obtain because of a higher threshold for patentability. As a result, patent thickets will become much more difficult to grow and maintain.

As patent thickets wane, owners of pioneering patents will be more free to commercialize products without being forced to cross-license their competitors' blocking patents. That will make pioneering patents more valuable than ever before, leaving competitors with a fundamental choice: innovation or extinction.

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